



Montana Public Service Commission
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PSC TO HOLD HEARING MARCH 19 ON MDU'S PROPOSED ELECTRIC RATE INCREASE

The state Public Service Commission will hold a hearing in Helena on Wednesday, March 19, to hear technical evidence and public comment on the pending application of Montana-Dakota Utilities Co. to increase its electric rates in Montana. MDU's last electric rate increase occurred in 1987. The parties to the case have submitted a proposed stipulation which, if approved by the PSC, would settle the issues.

The hearing will begin at 9 a.m. in the PSC's Bollinger Room, 1701 Prospect Avenue.

In its July 2007 rate case application, MDU requested PSC approval of an overall increase in electric rates of 22 percent, which would result in an annual increase of about \$7.8 million in electric service revenues in Montana. MDU proposed to increase residential electric rates by 20 percent. According to MDU, increased electric rates are necessary because MDU is experiencing higher costs and expenses and has increased its investment in facilities that serve Montana customers, such as the 19.5-megawatt Diamond Willow wind farm near Baker.

MDU also proposed to implement a monthly electric tracker mechanism to allow the utility to timely reflect its fuel and power purchase costs in rates. In addition, MDU proposed a margin sharing adjustment under which MDU would share the net proceeds from its off-system electricity sales with customers.

The PSC granted MDU a temporary interim increase last December in the amount of \$3.37 million.

Last month, MDU, the Montana Consumer Counsel and Encore Acquisition Company filed a stipulation that, if accepted by the Commission, would purportedly resolve all issues in this proceeding. The stipulation will also be the subject of this hearing. The components of this agreement include the following:

- A total rate increase of \$4.1 million arrived at by making the \$3.37 million interim rates increase permanent and by allowing MDU an additional increase of \$727,739 on January 1, 2009.
- An agreement by MDU not to implement new rates from a subsequent rate case before January 1, 2010; and,
- Implementation of a monthly fuel and purchased power tracker mechanism, along with a margin sharing adjustment under which MDU and customers would share the net proceeds of off-system sales on a 90/10 basis, with customers getting the 90 percent share and MDU getting 10 percent. This mechanism will expire at the end of 2011 unless the PSC approves its continuation.

The public can access the hearing streamed live, video and/or audio, from the internet. A broadband internet connection is required for video reception, and 20K or higher is needed for audio reception. You can access this hearing from the Commission's website at psc.mt.gov. Clicking on Calendars will take you to a choice of Live PSC audio or Live PSC Video Feed.

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